

AR03

Aluminum Company of Canada, Ltd

and Subsidiary Companies

file under
Alcan Aluminum



1973

Financial Statements

On pourra se procurer le texte français de ce rapport en s'adressant au secrétariat de la Compagnie, case postale 6090, Montréal, Canada, H3C 3H2.

**Aluminum Company of Canada, Ltd
and Subsidiary Companies**

CONSOLIDATED STATEMENT OF INCOME
year ending 31 December 1973

	in thousands of U.S. dollars	
	1973	1972
REVENUES		
Sales	\$1,046,652	\$882,258
Operating revenues	60,140	59,240
Other income (note 9)	9,426	13,400
	1,116,218	954,898
COSTS AND EXPENSES		
Cost of sales and operating expenses	928,086	751,545
Depreciation and depletion	60,122	60,677
Selling, research and administrative expenses	76,703	71,094
Interest on debt not maturing within one year	40,490	37,144
Other interest	5,075	2,884
Other expenses	4,428	4,279
	1,114,904	927,623
INCOME BEFORE INCOME TAXES	1,314	27,275
Income taxes (note 10)		
Current	16,139	10,782
Deferred	(19,881)	(10,720)
	(3,742)	62
NET INCOME	\$ 5,056	\$ 27,213

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 year ending 31 December 1973

	in thousands of U.S. dollars	
	1973	1972
SOURCE OF FUNDS		
Net income	\$ 5,056	\$ 27,213
Depreciation and depletion	60,122	60,677
Deferred income taxes	(19,881)	(10,720)
From operations	<u>45,297</u>	<u>77,170</u>
New debt	484	40,547
Repayment of advances to affiliated companies	—	4,203
Disposals of plant and equipment	2,724	4,657
Other	549	4,284
	<u>49,054</u>	<u>130,861</u>
APPLICATION OF FUNDS		
Plant and equipment	61,259	38,424
Investments	1,520	6,080
Debt	57,936	30,623
Redemption of preferred shares (par value)	4,844	4,790
Dividends on preferred shares	1,617	1,849
Dividends on common shares	8,000	25,000
Other	590	—
	<u>135,766</u>	<u>106,766</u>
CHANGE IN WORKING CAPITAL (note 8)	(86,712)	24,095
Working capital — beginning of year	324,881	300,786
WORKING CAPITAL — END OF YEAR	<u>\$238,169</u>	<u>\$324,881</u>

Aluminum Company of Canada, Ltd

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — ASSETS

31 December 1973

	in thousands of U.S. dollars	
	1973	1972
Current assets		
Cash	\$ 11,147	\$ 31,066
Time deposits	24,467	45,774
Receivables	144,420	130,497
Receivable from affiliated companies	65,777	52,138
Aluminum	145,337	128,765
Raw materials and other supplies	149,039	136,732
	<u>540,187</u>	<u>524,972</u>
Deferred receivables (note 2)	55,325	55,559
Deferred charges	5,384	5,212
Advance to parent company	6,217	6,217
Investments in companies owned 50% or less, at cost	9,752	8,735
Property, plant and equipment (note 3)	1,798,514	1,745,512
Less: Accumulated depreciation and depletion	1,054,296	1,000,492
	<u>744,218</u>	<u>745,020</u>
	<u><u>\$1,361,083</u></u>	<u><u>\$1,345,715</u></u>

CONSOLIDATED BALANCE SHEET — LIABILITIES

31 December 1973

	in thousands of U.S. dollars	
	1973	1972
Current liabilities		
Payables	\$ 146,208	\$ 114,721
Short-term borrowings	39,336	26,637
Payable to affiliated companies	6,247	6,700
Payable to parent company	43,800	12,000
Income and other taxes	13,969	7,631
Debt maturing within one year (note 4)	52,458	32,402
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	302,018	200,091
Debt not maturing within one year (note 4)	491,066	548,339
Deferred income taxes	100,961	120,842
 Shareholders' equity		
Cumulative redeemable sinking fund preferred shares (note 5)		
4% First preferred — par Can. \$25		
Authorized — 600,000 shares		
Outstanding — 194,327 shares (1972 — 228,512)	4,416	5,193
4½% Second preferred — par Can. \$50		
Authorized — 1,200,000 shares		
Outstanding — 601,447 shares (1972 — 681,572)	30,529	34,596
Common shares — without nominal or par value		
Authorized — 10,000,000 shares		
Outstanding — 9,000,000 shares	189,172	189,172
Retained earnings (note 6)	242,921	247,482
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	467,038	476,443
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	\$1,361,083	\$1,345,715

Approved by the Board:

PAUL H. LEMAN, Director

JOHN H. HALE, Director

**Aluminum Company of Canada, Ltd
and Subsidiary Companies**

CONSOLIDATED STATEMENT OF RETAINED EARNINGS — year ending 31 December 1973

	in thousands of U.S. dollars	
	1973	1972
RETAINED EARNINGS — beginning of year	\$ 247,482	\$ 247,118
Net income	5,056	27,213
	<u>252,538</u>	<u>274,331</u>
Dividends		
4% First preferred	210	238
4½% Second preferred	1,407	1,611
Common	8,000	25,000
	<u>9,617</u>	<u>26,849</u>
RETAINED EARNINGS — end of year (note 6)	<u><u>\$242,921</u></u>	<u><u>\$247,482</u></u>

NOTES TO FINANCIAL STATEMENTS — in thousands of U.S. dollars

1. SUMMARY OF ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all companies more than 50% owned. When the cost of an investment exceeds the book value of the Company's equity therein at date of acquisition, the excess is amortized over the estimated useful life of the related fixed assets. Intercompany items and transactions between consolidated companies, including profits in inventories, are eliminated.

TRANSLATION OF ACCOUNTS INTO UNITED STATES DOLLARS

The consolidated financial statements are expressed in U.S. dollars since this is the principal currency of international trade in which the Company's business is mainly involved.

Accounts, other than U.S. dollar accounts, included in the consolidated balance sheet are translated at rates of exchange current at year end except that (a) inventories, investments, fixed assets and accumulated depreciation and depletion are at rates current at dates of acquisition, (b) debts not maturing within one year are at rates current at dates of issue, and (c) deferred income taxes are at rates current at dates of origin. Accounts included in the consolidated statement of income, except depreciation and depletion, are translated at average rates of exchange prevailing during the year. Translation adjustments, not significant in amount, are included in income.

DEFERRED INCOME TAXES

Income tax regulations in Canada and certain other countries permit the deduction from taxable income of certain items (principally depreciation) in amounts which do not coincide with those charged for financial reporting purposes. The effect of such timing differences on income taxes otherwise payable is recognized as deferred income taxes.

Investment allowances are recognized as a reduction of income taxes when realized.

OTHER

Aluminum, raw materials and other supplies are stated at cost (determined for the most part on the monthly average method) or net realizable value, whichever is the lower.

Property, plant and equipment includes the cost of renewals and betterments. Repairs and maintenance are charged against income as incurred.

Depreciation is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. Depletion, not significant in amount, is calculated on the unit of production basis.

NOTES TO FINANCIAL STATEMENTS — in thousands of U.S. dollars

2. DEFERRED RECEIVABLES

Deferred receivables include \$52.1 million arising from the nationalization in 1971 of the Company's bauxite and alumina assets in Guyana. This amount, bearing interest at 6% per annum, is receivable from the Government of Guyana over the period 1975 to 1991.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accum. Deprec.	Net 1973	Net 1972
Land, and water rights	\$ 49,704	\$ 285	\$ 49,419	\$ 49,969
Mineral properties, rights and development	14,633	4,772	9,861	9,046
Raw material, power and other facilities	841,366	511,959	329,407	332,967
Smelting facilities	574,853	392,217	182,636	178,288
Fabricating facilities	317,958	145,063	172,895	174,750
	<u>\$1,798,514</u>	<u>\$1,054,296</u>	<u>\$744,218</u>	<u>\$745,020</u>

Capital projects are expected to involve the expenditure in the range of \$100 to \$130 million in 1974.

4. DEBT NOT MATURING WITHIN ONE YEAR

	1973	1972
Aluminum Company of Canada, Ltd		
*Bank loans under \$160 million revolving credit agreement, due 1977/1981	\$100,000	\$100,000
9 1/2% Sinking fund debentures, due 1995	100,000	100,000
9 3/8% Sinking fund debentures, due 1991 (Can. \$60 million)	59,406	59,406
4 1/2% Sinking fund debentures, due 1980	32,531	40,258
7 1/8% Serial debentures, due 1976/1979 (Can. \$40 million)	39,800	39,800
4 1/2% Sinking fund debentures	—	18,801
5.10% Notes, due 1974/1992	85,500	90,000
3 1/2% Note, due 1974 (Can. \$40 million)	37,999	37,999
Other debt, due 1974/1998	4,196	5,902
Alcan Aluminum Corporation (U.S.A.)		
4 3/4% Notes, due 1974/1984	35,202	36,402
Non-interest bearing notes, due 1974/1975	5,677	8,516
Other debt, due 1974/1990	6,458	7,034
Alcan (Bermuda) Limited		
7 5/8% Notes, due 1974/1978 (Lire 11 billion)	17,175	17,975
Other companies		
Bank loans, due 1975/1983	11,082	11,186
Debt, due 1974/1995	6,365	7,611
	<u>541,391</u>	<u>580,890</u>
Less: Debt maturing within one year included in current liabilities (equivalent to \$52.5 million and \$32.4 million respectively at year-end rates of exchange)	<u>50,325</u>	<u>32,551</u>
	<u><u>\$491,066</u></u>	<u><u>\$548,339</u></u>

*Interest fluctuates with lender's prime commercial rate.

After allowing for prepayments, sinking fund and other requirements over the next five years amount to \$50.3 million in 1974, \$27.8 in 1975, \$29.6 in 1976, \$53.0 in 1977 and \$53.0 in 1978.

Aluminum Company of Canada, Ltd

and Subsidiary Companies

NOTES TO FINANCIAL STATEMENTS — In thousands of U.S. dollars

5. PREFERRED SHARES

Maximum annual sinking fund requirements for the retirement of the first and second preferred shares amount to the equivalent of Can. \$2.7 million per annum. The 1974 sinking fund requirements have been met by purchases in the open market.

The preferred shares also may be called for redemption at the option of the Board of directors at the following prices:

4% First preferred shares — on twenty days' notice at Can. \$26.375 per share.

4½% Second preferred shares — on thirty days' notice (a) for other than sinking fund purposes at Can. \$52.00 per share to 30 November 1976, and thereafter at Can. \$51.75 per share, and (b) for sinking fund purposes, at Can. \$51.50 per share. Any partial redemption must be made on a pro rata basis or by lot.

6. DIVIDEND RESTRICTIONS

Pursuant to the provisions of certain debt issues, \$161 million of retained earnings at 31 December 1973 is not distributable as dividends either in cash or in kind on the common shares of the Company.

7. COMMITMENTS

The Company has entered into purchase agreements and tolling arrangements the fixed portion of which commitments amount to \$13.7 million in 1974, \$16.6 million annually 1975 through 1977, and \$22.0 million in 1978. In addition, minimum rental commitments under long-term leases, including charter hire of ships, amount to \$15.7 million in 1974, \$14.1 in 1975, \$8.1 in 1976, \$5.5 in 1977, \$5.0 in 1978 and lesser annual amounts thereafter. Total rental expense amounted to \$40.4 million for 1973.

See also reference to capital expenditures in note 3 and debt repayments in note 4.

8. CHANGES IN WORKING CAPITAL

	1973	1972
Current assets		
Cash and time deposits	\$(41,226)	\$24,871
Receivables	13,923	4,249
Receivable from affiliated companies	13,639	(10,437)
Aluminum, raw materials and other supplies	28,879	7,747
	15,215	26,430
Current liabilities		
Payables and short-term borrowings	44,186	(7,838)
Payable to affiliated companies	(453)	(2,518)
Payable to parent company	31,800	3,185
Income and other taxes	6,338	(5,530)
Debt maturing within one year	20,056	15,036
	101,927	2,335
Net increase (decrease)	<u><u>\$(86,712)</u></u>	<u><u>\$24,095</u></u>

9. OTHER INCOME

	1973	1972
Interest	\$ 6,651	\$ 6,728
Gain from sale of investments	431	3,905
Other	2,344	2,767
	<u><u>\$ 9,426</u></u>	<u><u>\$13,400</u></u>

NOTES TO FINANCIAL STATEMENTS — in thousands of U.S. dollars

10. INCOME TAXES

The income tax credit of \$3.7 million in 1973 arises principally from the effects of investment allowances and prior years' losses in certain subsidiaries, and to non-taxable income.

11. PENSION PLANS

The Company and its subsidiaries have established pension plans in the countries where they operate, for the greater part contributory and generally open to all employees. With respect to these plans, the Company and its subsidiaries incurred a pension expense of \$11.9 million in 1973 (\$10.5 in 1972). Assets in the pension funds are virtually in balance with the liabilities for pension benefits accrued to 31 December 1973.

12. REMUNERATION OF DIRECTORS AND OFFICERS

The Company has 11 directors who receive no remuneration as such. There are 11 officers, six of whom are directors of the Company. The aggregate remuneration received from the Company by these officers and by past officers amounted to \$892,827 in 1973 (\$851,986 in 1972).

AUDITORS' REPORT

Price Waterhouse & Co.

chartered accountants

5 Place Ville Marie, Montreal, Canada

29 January 1974

To the Shareholders of Aluminum Company of Canada, Ltd

We have examined the consolidated balance sheets of Aluminum Company of Canada, Ltd and subsidiary companies as at 31 December 1973 and 1972 and the related consolidated statements of income, retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at 31 December 1973 and 1972 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Price Waterhouse & Co.

Chartered Accountants

Aluminum Company of Canada, Ltd

and Subsidiary Companies

DIRECTORS

A. A. BRUNEAU — Secretary and Chief Legal Officer, Alcan Aluminium Limited

JAMES W. CAMERON — Executive Vice President, Raw Materials and Smelting, Alcan Aluminium Limited

DUNCAN C. CAMPBELL — Vice President, Public Affairs, Alcan Aluminium Limited

N. STEWART CRERAR — Executive Vice President, Engineering, Supply and Distribution, Alcan Aluminium Limited

DAVID M. CULVER — Executive Vice President, Fabricating and Sales, Alcan Aluminium Limited

BRUCE L. DAVIS — Manager, Alcan Engineering Services

NATHANAEL V. DAVIS — Chairman of the Board and Chief Executive Officer, Alcan Aluminium Limited

JOHN H. HALE — Executive Vice President, Finance, Alcan Aluminium Limited

PAUL H. LEMAN — President, Alcan Aluminium Limited

WILLIAM J. REID — Vice President, Alcan Ore Limited

ERIC F. WEST — President, Alcan Aluminum Corporation

OFFICERS

NATHANAEL V. DAVIS — Chairman of the Board

PAUL H. LEMAN — President

JAMES W. CAMERON — Executive Vice President

N. STEWART CRERAR — Executive Vice President

DAVID M. CULVER — Executive Vice President

JOHN H. HALE — Executive Vice President

HAROLD CORRIGAN — Vice President

R. F. DONAHOE — Vice President

F. C. WINSER — Vice President

T. L. BROCK — Secretary

W. E. F. JOHNSON — Treasurer



Aluminum Company of Canada, Ltd

Montreal, Quebec, Canada